

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 350 - SB 1696

February 24, 2011

SUMMARY OF BILL: Exempts from Hall Income Tax (HIT) any individual 70 years of age or older, or persons filing joint returns and either spouse is 70 years of age or older, beginning with tax year 2012.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$27,558,700/FY12-13 and Subsequent Years

Decrease Local Revenue – Net Impact - \$16,932,300/FY12-13 and Subsequent Years

Assumptions:

- Fifty percent of tax savings is spent in the economy on other sales-taxable goods and services.
- A state sales tax rate of 7.0 percent and an average local option sales tax rate of 2.5 percent.
- According to the Department of Revenue, total HIT collections from taxpayers age 70 and over were \$41,028,112 in FY09-10.
- Total cash collections from the HIT were approximately \$171,707,300 in FY09-10.
- HIT revenue from taxpayers age 70 and over represents 23.89 percent of total HIT collections (\$41,028,112 / \$171,707,300).
- The current Fiscal Review Committee estimate for HIT revenue for FY11-12 is \$195,520,000.
- The recurring decrease in HIT revenue will be \$46,709,728 (\$195,520,000 x 23.89%).
- Pursuant to Tenn. Code Ann. § 67-2-119(a), the state retains 62.5 percent of all HIT revenue and local governments are apportioned 37.5 percent.
- Given the proposed exemption begins with tax year 2012, and the filing deadline for tax year 2012 is in April 2013, the first fiscal year impacted will be FY12-13.
- One-hundred percent of HIT revenue for any given tax year is collected between January 1 and June 30 of the following year.
- The recurring increase in state sales tax revenue will be \$1,634,840 (\$46,709,728 x 50.0% x 7.0%).

- The recurring increase in local option sales tax revenue will be \$583,872 ($\$46,709,728 \times 50.0\% \times 2.5\%$)
- The net recurring decrease in state revenue will be \$27,558,740 [$(\$46,709,728 \times 62.5\%) - \$1,634,840$] for FY12-13 and subsequent years.
- The net recurring decrease in local government revenue will be \$16,932,276 [$(\$46,709,728 \times 37.5\%) - \$583,872$] for FY12-13 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc